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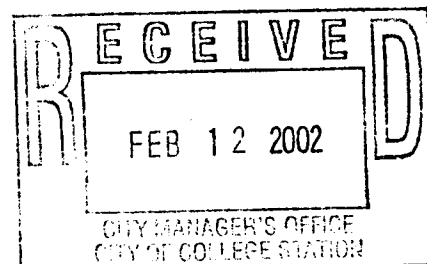
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The District

A Political Subdivision of the Great State of Texas

Providing Rural & Urban Public Transportation in Central & East Texas Since 1974.



February 11, 2002

Mr. Tom Brymer
City Manager
PO BOX 9960
College Station, TX 77842

RE: Northgate Parking Garage

Dear Tom:

As you recall, myself and Ms. Lucas of my staff met with you and Mayor McIlhancy a few months back regarding what The District might be able to do in assisting the City with the operation of the Northgate Parking Garage project. Following that meeting, I met with our transportation planning consultant, Mr. Goodman, to explore various options with respect to Federal Transit Administration (FTA) funding and the garage.

We reviewed several options which might be available to The District and believe we have found an option which would meet the goals of The District, the City and FTA. The FTA has a fairly complicated program for the acquisition of major capital projects entitled "Capital Leasing." Under this program a transit authority, such as The District, is permitted to acquire through leasing, instead of purchase, major capital assets. This program was authorized in TEA 21 and we are told will be reauthorized in the new bill to be adopted next year.

Simply put, the program would allow The District to enter into a long term lease arrangement with the City to lease the Northgate parking facility. The lease payments would be calculated based upon the fare market value of the facility. In most respects the lease is a standard lease with monthly payments. There is an allowance for an up-front payment of a portion of the total lease, which we would negotiate with the City. Our consultant is also researching whether the lease payment could be calculated as a reverse balloon payment with the first few years' payments being larger than the last few years.

At this point, I would anticipate that the term of the lease would be a maximum of 15 years with the lowest term being 10 years. FTA considers a facility of this type to have a life cycle of 30 years but their formula allows for lower lease terms. As the Lessee of the facility, we would then be in a position to support the operation of the parking garage through our B/CS transit program. At this point in time, we would anticipate that we would fund the operation through parking revenues and a combination of federal and state transit funds.

I must strike a cautionary note at this point relative to funding. This entire project would be dependent upon our receipt of a congressional earmark. However, The District has a long and successful history of obtaining such earmarks and has obtained one every year since 1991. I feel confident that with the support of the City we will be able to obtain the funding we need to bring this project to fruition.

As you know, The District currently manages a very large parking program throughout our 21 county region. We operate two (2), 1,000 car park and ride facilities in The Woodlands, as well as a park and pool lot in the same area. We are building a third 1,000 car park and ride facility in The Woodlands, a 300 car parking garage and transit terminal in Lufkin, a 400 car park and ride facility in Cleveland, and the 1,000 car garage and terminal in the Brazos County government complex across from the courthouse. All of these facilities have been funded with congressional earmarks. We have a very good reputation with FTA and Congress relative to our parking program and thus feel that we will meet with success in obtaining the funding we need to carry out this project.

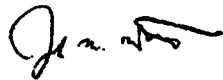
My purpose in writing is to make you aware of our progress on this project since our meeting a few months back. Also, I wish to get your approval to include the Northgate Garage Capital Leasing Project in our 2003 earmark request to Congress. Now that the President has submitted his budget to Congress, the House Appropriations Committee and the Senate Finance Committee will begin hearings. It is at this point that we submit our annual requests to our Senators and Congressmen who represent us across our 21 county district. If past years are any indication, we would expect the request to be included in the FY 2003 federal budget with award sometime between October, 2002 and January, 2003.

With your concurrence, it is our intention to include this project in the reauthorization of TEA 21 which will begin in 2004. Reauthorization hearings have already begun and we are finalizing our Regional Bus & Facility Plan which we hope to have fully authorized in the new transportation bill for the term of the bill. We would very much like to

include this project, as well as the infrastructure we discussed relative to the College Station City Center in this reauthorization.

I hope that you and the council share our enthusiasm for this project. The project is innovative and has the capacity to be a model public/public partnership which will benefit the citizens of College Station and the region as a whole. While the lease instruments are going to be somewhat complicated, I don't think it is anything that our two entities have not successfully dealt with in the past. I look forward to hearing from you and working with you on this project over the next few years. If you have any questions please do not hesitate to call or write.

Kindest Regards,



John M. McBeth
General Manager/CEO
The District